

The Peoples Gas Light and Coke Company

OFFICE OF THE PRESIDENT

Also applicable
to North Shore
Gas Company

| | | |
|------------------------|-------------------|---------------|
| Classification: | ORDER | DATE |
| General | 10 | June 25, 1990 |
| Subject: | SUPERSEDING ORDER | DATED |
| Competitive Bid Policy | 10 | May 1, 1989 |

- 4 -

Computer generated purchase requisitions for stores items should be approved in accordance with the following guidelines:

| <u>Management Level Required to Approve Purchase</u> | <u>Estimated Purchase Amount</u> |
|--|--------------------------------------|
| Administrator, Purchasing and Stores | \$ 0 - \$ 3,000 |
| Manager, Purchasing and Stores Director, Corporate Services | \$ 3,001 - \$ 9,999 |
| Appropriate EM-5 or EM-6 Level, Outside the Purchasing Department | \$10,000 - \$40,000 |
| Vice President | Over \$40,000 |

Once approved, such computer generated purchase requisitions are to be competitively bid according to normal guidelines.

The Purchasing and Stores Department will request either oral or written bids (including facsimile machine copies), in all cases except for those described as emergency procurement situations, in accordance with the following guidelines:

| <u>Type of Bid Required</u> | <u>Estimated Bid Amount</u> |
|---------------------------------|---------------------------------|
| One Phone | \$ 0 - \$ 999 |
| Three Phone | \$ 1,000 - \$ 2,499 |
| Three Written | \$ 2,500 - \$49,999 |
| Three Sealed | \$50,000 & Above |

Each requisition and its related purchase order, repetitive service order or contract, shall be reviewed and approved by the Manager or Administrator, Purchasing and Stores and retained in department files.

The Peoples Gas Light and Coke Company

OFFICE OF THE PRESIDENT

Also applicable
to North Shore
Gas Company

| | | |
|------------------------|-------------------|---------------|
| Classification: | ORDER | DATE |
| General | 10 | June 25, 1990 |
| Subject: | SUPERSEDING ORDER | DATED |
| Competitive Bid Policy | 10 | May 1, 1989 |

- 5 -

If a requisition is received for an item estimated at less than \$50,000 and an identical item has been competitively bid during the past one-hundred eighty (180) days, the bid can be awarded to the previous low bidder.

If a bid was estimated to be under \$50,000 but is found to be over \$50,000 after opening the first bid, the Chief Auditor is to be notified and the applicable procedures for such bids are to be followed.

When an item to be bid is covered by an approved Company standard established by the Supplies Standardization Committee in accordance with Executive Order 11 - Directors, Officers and Committees, only those vendors listed on the standard may be solicited for bids. In those instances where only one bid is received on a standardized item, the item shall be exempt from competitive bidding and no waiver of competitive bidding shall be required.

For those items not covered by a Company standard, where three or more bids are requested and only one bid is received and all reasonable efforts to secure additional bids have been unsuccessful or if time constraints do not permit the solicitation of additional bids, a waiver of the competitive bid policy must be obtained.

Whenever practicable, the Company will attempt to insure that multiple sources of supply are maintained. However, in all purchasing activities, it shall be ascertained that no purchases are made solely on the basis that a prospective supplier is also a customer of the Company. Reciprocity is illegal as well as being unsound since it distorts the market process; therefore, the Company will not engage in reciprocity in purchasing activities.

Vendor sales personnel are to be seen promptly and have a fair hearing. It is within the power of buyers to

The Peoples Gas Light and Coke Company

Also applicable
to North Shore
Gas Company

OFFICE OF THE PRESIDENT

| | | |
|------------------------|-------------------|---------------|
| Classification: | ORDER | DATE |
| General | 10 | June 25, 1990 |
| Subject: | SUPERSEDING ORDER | DATED |
| Competitive Bid Policy | 10 | May 1, 1989 |

- 6 -

enhance or detract from the Company's good name; consequently it is a major obligation to treat sales personnel fairly. All quotations received must be considered confidential and in no case divulged to a vendor's competition. Confidential quotations are those prepared on an individual basis for the Company. Published price lists are not considered in this confidential category.

Low bids from reputable suppliers are not to be used to reduce prices from existing suppliers. Qualified vendors who submit low bids and who can perform must be rewarded with our purchases, subject only to those cases where multiple supply sources would be jeopardized, in which cases, the low bidder shall receive the major portion of the purchase, whenever possible.

In the case of tie bids, the bid should be awarded on a basis that is in the best interest of the Company. Fairness and the desire to keep multiple sources of supply available are two guidelines that should be followed. Support documentation should be approved by the Manager or Administrator, Purchasing and Stores and will be retained by the Department.

If a bid is for multiple items and can be split between two or more vendors to obtain a lower overall price without creating offsetting administrative, operational, handling and/or freight costs, it shall be done. Support documentation shall be approved by the Manager or Administrator, Purchasing and Stores and will be retained by the Department.

The Purchasing and Stores Department shall continue to maintain a list of approved vendors based on acceptable financial and service capabilities. New vendors should be added to such list whenever appropriate for the benefit of the Company.

OFFICE OF THE PRESIDENT

| | | |
|------------------------|-------------------|---------------|
| Classification: | ORDER | DATE |
| General | 10 | June 25, 1990 |
| Subject: | SUPERSEDING ORDER | DATED |
| Competitive Bid Policy | 10 | May 1, 1989 |

- 7 -

Competitive bidding on orders of \$50,000 or more is subject to the following procedures:

1. Letters shall be sent by the Purchasing and Stores Department to the pre-qualified suppliers or contractors selected setting out all details and specifications pertaining to the pending order. The prospective bidders shall be notified that if their bid is not received by the deadline time set in the letter, it will not be considered. A preaddressed return envelope shall be enclosed with each solicitation to be used by the prospective bidders when submitting their bids. A copy of the solicitation letter shall be sent to the Chief Auditor.
2. The sealed bid envelopes shall be noted with the time and date received by the Purchasing and Stores Department. If a sealed bid is not received by the bid opening deadline and it is deemed to be in the best interest of the Company, those vendors who failed to respond may be contacted by the buyer in the presence of the Chief Auditor or his designated representative to determine whether or not a bid has been mailed. If a bid has been mailed, but not received, the bid opening can be deferred until such time as the missing bid has been received. In those instances, where only one bid has not been received, a telephone bid including facsimile machine copies may be solicited from non-respondents. The deferral of a bid opening as well as the use of telephone solicitation must be approved by the Manager or Administrator, Purchasing and Stores. Bids received after the deadline time shall be returned unopened with a letter of explanation.
3. At the predetermined bid opening time, the Chief Auditor, or his representative, shall join with the

| | | |
|------------------------|-------------------|---------------|
| Classification: | ORDER | DATE |
| General | 10 | June 25, 1990 |
| Subject: | SUPERSEDING ORDER | DATED |
| Competitive Bid Policy | 10 | May 1, 1989 |

- 8 -

Manager, Purchasing and Stores, or his representative, to open and record the bids received.

4. The name of each vendor solicited shall be listed and the pertinent data (such as unit prices, quantities, trade-in allowances, discounts and totals) entered as needed to analyze the proposals. When the successful bidder has been determined, the listing shall be dated and signed by the employees present.
5. The Chief Auditor or his representative shall record such information as he may need to verify the final purchase commitment document.
6. The Manager or Administrator, Purchasing and Stores shall arrange to have the order placed in the appropriate manner.
7. If the order is to be placed with other than the low bidder, the Elected Officer in charge of the division requesting the material or service, shall be authorized to approve such selection. Deviations approved by the Elected Officer shall be properly documented in writing, a copy of which shall be forwarded to the Chief Auditor and a copy retained in the Purchasing and Stores Department.

If the original low bidder must be replaced for unsatisfactory performance, the using department must provide written notification to the Purchasing and Stores Department outlining the reasons. The order will be either re-bid or awarded to the next lowest bidder once approval has been granted by either the Manager or Administrator, Purchasing and Stores.

8. If none of the bids meet the specifications, or if a significant change is made in the required

The Peoples Gas Light and Coke Company

OFFICE OF THE PRESIDENT

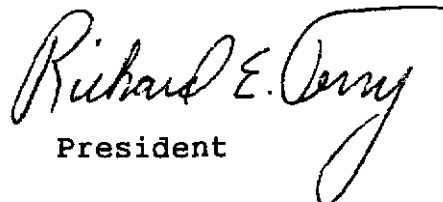
Also applicable
to North Shore
Gas Company

| | | |
|--|-------------------|---------------|
| Classification: General | ORDER | DATE |
| | 10 | June 25, 1990 |
| Subject: Competitive Bid Policy | SUPERSEDING ORDER | DATED |
| | 10 | May 1, 1989 |

- 9 -

specifications, new bids shall be requested. These new bids shall be subject to the same procedures as the original bid solicitation. However, new bids will not be required if accepting the original bids outweighs any anticipated net savings expected through rebidding; if time constraints do not allow for a bid resolicitation; and the decision made is formally documented with the signature of the Manager or Administrator, Purchasing and Stores.

9. If one or more of the bidders shall interpret something in the solicitation letter that was not clearly stated and not so interpreted by the other bidders and this interpretation is acceptable to the Company, the other bidders shall be asked to revise their bid based on this interpretation.
10. Any information relating to unsuccessful bids shall be confined in the Purchasing and Stores Department unless, because of the nature of the bids, a specialist's evaluation is required.
11. The Chief Auditor shall be provided with a copy of the approved purchase commitment document for verification.


President

PEOPLES ENERGY CORPORATION

Also applicable to

PGL, NSG, PDE,

PNGV, PER, and

PEV Corporations

OFFICE OF THE PRESIDENT

| | | |
|--|---|--|
| Classification: General | ORDER 12 | DATE March 23, 1998 |
| Subject: Approval of Disbursement Documents | SUPERSEDING ORDER 12-PEC 12-PGL 12-NSG | DATED October 1, 1996 |

To Officers, Department Heads, and
Other Supervisory Personnel:

The term "disbursement documents," as used in this Order, includes purchase requisitions, vendors' invoices, payment requests, expense statements, cash disbursements (used for petty cash, cash advances, reimbursable expenses incurred in-town and payment to any one payee for business related expenses), forms authorizing miscellaneous payments to employees, forms authorizing refunds to customers and PGL's Risk Management (or NSG's Human Resources and Claim) Department claim drafts. Checks and drafts, other than claim drafts, are excluded from such definition. Formal contracts, public accounting firms' invoices, Corporate Contributions and Matching Gifts and payroll tickets are also specifically excluded from such definition as these are covered in one or more of the following Company documents: Company By-Laws, Board Resolutions, another General Order, a Procedure Letter or a Routine. Electronic transactions relating to any Company bank accounts are also excluded. Authorization for electronic transactions is limited to selected officers as stipulated by Board Resolutions.

Approvals shall follow the direct lines of organizational authority whenever possible. In all instances, the Chairman of the Board, President, Executive Vice President, Senior Vice President, Vice President, Treasurer, Assistant Vice President, Assistant General Counsel, General Manager of NSG, or officer designated by the divisional officer having authority over an area originating a disbursement document has the authority to approve any such document, and in each of the following instances it is a requirement:

- (a) a reimbursement to an employee of more than \$1,000;
- (b) a cash advance to an employee (including officers) of more than \$500 (also requires approval by the President); and
- (c) any other disbursement to a single payee of more than \$50,000.

However, except for cash advances of \$500 or less to an officer, which may be approved by that same officer, individuals may not approve reimbursements or disbursements to themselves.

The Manager of the Community Affairs Department is authorized to approve payments of corporate memberships covered under the approved Corporate Membership Program.

The Special Claim, Claim, Senior Claim Investigators of PGL, the Manager of NSG's Human Resources and Claim Department, and NSG employees in the Human Resources Representative job family (in the absence of the Manager of NSG's Human Resources and Claim Department) are authorized to issue drafts of \$5,000 or less in settlement of claims. In addition, a payment request can be approved by the Supervisor or the Manager of PGL's Risk Management

OFFICE OF THE PRESIDENT

PGL, NSG, PDE,
PNGV, PER, and
PEV Corporations

| | | |
|--|---|--|
| Classification: <p align="center">General</p> | ORDER <p align="center">12</p> | DATE <p align="center">March 23, 1998</p> |
| Subject: <p align="center">Approval of Disbursement Documents</p> | SUPERSEDING ORDER <p align="center">12-PEC 12-PGL 12-NSG</p> | DATED <p align="center">October 1, 1996</p> |

Page 2.

Department and the Manager of NSG's Human Resources and Claim Department up to \$50,000. The Director of the Funded and Insured Programs Department has authorization to pay all claims.

Approval of any purchase requisition for materials equipment and/or services that have been itemized and included in the Approved Capital Budget Plan (by the Board of Directors) may be given by the department head issuing the requisition (subject to Budget Department approval) in accordance with General Order 10 - Competitive Bid Policy. In addition, approval of any purchase requisitions and vendors' invoices affecting the Purchasing and Stores Department may be given by its Manager, or a designated representative.

Any disbursement document authorizing payment to any one payee of \$50,000 or less, with the exception of a reimbursement to an employee of more than \$1,000 or a cash advance of more than \$500, may be approved by the Office Manager of the Office of General Counsel.

Final written approval of any disbursement document for \$50,000 or less, but not including any document authorizing payment of a reimbursement to an employee of more than \$1,000 or a cash advance of more than \$500, may be given by the department or section head, or Field Manager, having line authority over the area. Additionally, in the Customer Service Division, in the absence of the Vice President and the Director of the Customer Relations Department, certain managers, as designated by the Vice President, are authorized to approve customer refunds up to \$2,000; certain management employees at the Neighborhood Offices are authorized, as designated by the Manager of the Customer Receipts Department, to approve customer refunds up to \$1,000. The Manager of the General Accounting Department shall have unlimited authorization for approval of payroll related payment requests.

Any unusual disbursement transaction shall be brought to the attention of the President, Executive Vice President, Senior Vice President, Vice President, Treasurer or Assistant Vice President having authority over the approving employee.

In the absence of all authorized employees including the officer having line authority over the area originating the disbursement document, and in the case of disbursement documents originated by the Chairman of the Board, the Controller or Assistant Controller may give approval.

Any deviation from the foregoing authorized approvals originating subsequent to the date of this Order shall be brought to the attention of the Controller and requires written approval of the appropriate divisional officer, Executive Vice President, Senior Vice President, or the President prior to its implementation.


President

OFFICE OF THE PRESIDENT

| | | |
|---|------------------------------------|---------------------------------------|
| Classification: General | ORDER 12 | DATE October 1, 1996 |
| Subject: Approval of Disbursement Documents | SUPERSEDING ORDER 12 | DATED September 1, 1993 |

To Officers, Department Heads, and
Other Supervisory Personnel:

The term "disbursement documents," as used in this Order, includes purchase requisitions, vendors' invoices, payment requests, expense statements, cash disbursements (used for petty cash, cash advances, reimbursable expenses incurred in-town and payment to any one payee for business related expenses), forms authorizing miscellaneous payments to employees, forms authorizing refunds to customers and Risk Management (or in the case of North Shore the Human Resources and Claim) Department claim drafts. Checks and drafts, other than claim drafts, are excluded from such definition. Formal contracts, public accounting firms' invoices, Corporate Contributions and Matching Gifts and payroll tickets are also specifically excluded from such definition as these are covered in one or more of the following Company documents: Company By-Laws, Board Resolutions, another General Order, a Procedure Letter or a Routine. Electronic transactions relating to any Company bank accounts are also excluded. Authorization for electronic transactions is limited to selected officers as stipulated by Board Resolutions.

Approvals shall follow the direct lines of organizational authority whenever possible. In all instances, the Chairman of the Board, President, Executive Vice President, Senior Vice President, Vice President, Treasurer, Division Vice President, Assistant Vice President, Assistant General Counsel or officer designated by the divisional officer having authority over an area originating a disbursement document has the authority to approve such document and in each of the following instances it is a requirement:

- (a) a reimbursement to an employee of more than \$1,000;
- (b) a cash advance to an employee of more than \$500; and
- (c) any other disbursement to a single payee of more than \$50,000.

However, except for cash advances of \$2,000 or less to an officer, individuals may not approve reimbursements or disbursements to themselves.

The Director, Public Relations is authorized to approve payments of corporate memberships covered under the approved Corporate Membership Program.

The Special Claim, Claim, Senior Claim Investigators and the Manager, Human Resources and Claim are authorized to issue drafts of \$5,000 or less in settlement of claims. In addition, a payment request can be approved by the Supervisor or the Manager of Risk Management up to \$50,000 and the Director of Funded and Insured Benefits has authorization to pay all claims.

Approval of any purchase requisition for materials equipment and/or services that have been itemized and included in the Approved Capital Budget Plan (by the Board of Directors) may

OFFICE OF THE PRESIDENT

| | | |
|--|-------------------|-------------------|
| Classification: General | ORDER | DATE |
| | 12 | October 1, 1996 |
| Subject: Approval of Disbursement Documents | SUPERSEDING ORDER | DATED |
| | 12 | September 1, 1993 |

be given by the department head issuing the requisition (subject to Budget Department approval) in accordance with General Order 10 - Competitive Bid Policy. In addition, approval of any purchase requisition for stores items may be given by the Manager, or a designated representative, of the Purchasing and Stores Department.

Any disbursement document authorizing payment to any one payee of \$50,000 or less, with the exception of a reimbursement to an employee of more than \$1000 or a cash advance of more than \$500, may be approved by the Office Manager of the Office of General Counsel.

Final written approval of any disbursement document for \$50,000 or less, but not including any document authorizing payment of a reimbursement to an employee of more than \$1,000 or a cash advance of more than \$500, may be given by the department or section head, or Field Superintendent, having line authority over the area. Additionally, in the Customer Services Division, in the absence of the Vice President and the Director, Customer Services, certain divisional superintendents or managers, as designated by the Vice President, Customer Services Division, are authorized to approve customer refunds up to \$2,000; certain management employees at the Neighborhood Offices are authorized, as designated by the Manager, Customer Receipts Department, to approve customer refunds up to \$1,000. The Manager of General Accounting shall have unlimited authorization for approval of payroll related payment requests.

Any unusual disbursement transaction shall be brought to the attention of the President, Executive Vice President, Senior Vice President, Vice President, Treasurer or Assistant Vice President having authority over the approving employee.

A document requesting a cash advance of \$2,000 or less for an officer may be approved by that same officer.

In the absence of all authorized employees including the officer having line authority over the area originating the disbursement document, and in the case of disbursement documents originated by the Chairman of the Board, the Controller or Assistant Controller may give approval.

Any deviation from the foregoing authorized approvals originating subsequent to the date of this Order shall be brought to the attention of the Controller and requires written approval of the appropriate divisional officer, Executive Vice President, Senior Vice President, or the President prior to its implementation.


President



Subject Outside Services Employed -
Legal Bills (3765)

To Mr. J. B. Hasch

Date November 29, 1994

From *Randy Trunk*
Auditing Department

Copy
to J. T. Hinchliff
K. S. Balaskovits
Arthur Andersen LLP

Background

Peoples Energy Corporation and its subsidiary companies (Companies), through the arrangement of the Office of General Counsel (OGC), utilize the services of outside counsel in areas of legal practice which are very specialized, or because of limited demand, make maintaining a legal specialty in-house economically impractical.

Routine 101, "Purchasing Material and Services", sets forth Company policy to be followed when acquiring management services, including outside legal counsel. This routine calls for the preparation of a Request for Proposal (RFP) when soliciting a new or previously negotiated management service, and the preparation of a Management Services Commitment (MSC) upon selection of a vendor, whenever practical and appropriate. An engagement letter should also be prepared, when appropriate, once the vendor has been selected.

The OGC coordinates the legal invoice approval process by forwarding invoices containing charges for legal services to the appropriate areas of the Companies for their review and approval. The OGC, however, gives final approval to all legal invoices, with minor exceptions (i.e. invoices regarding protests of property taxes and related appeals, and invoices for replenishment of the working fund for collection counsel).

Purpose and Scope

The purpose of the audit was to verify that:

- Outside legal firms providing services to the Companies are procured in accordance with the guidelines of Routine 101, "Purchasing Material and Services";
- The OGC has an adequate level of control over the legal invoice approval process; and

- Legal invoices are accurately computed, adequately documented, properly approved and reflected correctly in the Companies' books;

Invoices submitted by eleven legal firms during the period January 1994 - June 1994 were reviewed. Specific audit procedural steps included:

- Discussing with the OGC the applicability of Routine 101 to legal services retained by the OGC, and the OGC's compliance with the Routine;
- Reviewing the invoice approval process, from initial receipt to final approval;
- Recomputing all extensions and totals contained in the invoice documentation, and tracing these individual charges to the invoice summary of charges, where applicable;
- Verifying that invoices provided to departments other than the OGC were initialed by a representative of the particular department, and that all such invoices had OGC approval;
- Obtaining from the OGC, a current list of legal services rendered by outside firms, and verifying that the invoiced amounts were placed in the proper functions on the Companies' books; and
- Reviewing the descriptions of services contained in the invoice documentation to verify that all charges appear legitimate and justifiable.

Findings, Concerns

- All invoices contained in Auditing's sample were properly computed, documented, approved and charged to the proper accounting functions. Auditing noted that the OGC maintains detailed analyses of all legal invoices, and files the invoices and analyses in binders, segregated by firm, for ready access.
- The audit revealed that the OGC does not prepare RFPs or MSCs when procuring outside legal services, and has a written operating agreement with only one law firm employed by the Companies. Auditing expressed its concern to the OGC about the lack of RFPs and MSCs, and in response, the Senior Vice President and General Counsel indicated that legal services provided to the Companies involve very specialized work, which sometimes requires the services of a specific lawyer, not just a particular firm. Furthermore, he indicated that litigation is often unpredictable, so it can be very difficult to establish an accurate cost estimate at engagement. Under these circumstances, the Senior Vice President and General Counsel indicated that he felt the preparation of RFPs, MSCs and engagement letters for each of the legal firms retained by the Companies was neither pragmatic or expedient. Auditing acknowledges the specialized nature of outside legal services, and believes that the current practice of procuring outside counsel is

adequately controlled by the Senior Vice President and General Counsel.

- Although the OGC prepares detailed analyses of invoices submitted by outside legal firms, Auditing expressed concern that the OGC does not maintain a schedule of billing rates for these firms. While the Senior Vice President and General Counsel assured Auditing that he personally reviews each outside legal invoice, and that he is aware, within limits, what appropriate billing rates for outside legal firms should be, he is considering requiring each legal firm to advise him of any change in the firm's billing rates before new rates become effective and appear on an invoice. The implementation of this procedure by the OGC would satisfy Auditing's concern regarding billing rates. Auditing also suggests that an engagement letter be required, when appropriate, for any firm retained for a specific legal matter.

Conclusion

In general, the audit found that an adequate control environment exists over the approval process for legal bills. However, while the audit did not reveal any discrepancies, Auditing believes that action on its concern regarding billing rates will enhance controls over the legal invoice approval process.

This audit is complete and no follow-up or response is required. A draft of this report was provided to Mr. J.T. Hinchliff, Senior Vice President and General Counsel, for comments. Auditing appreciates the assistance and cooperation provided by the employees of the Office of General Counsel during the course of the audit.

Audit Report Approved: _____



RGT J:\3765\AUDITRPT.sam

On-Line Variance Reporting System Instructions

**Version 4.1
August, 1998**

On-Line Variance Reporting Index

| <u>DESCRIPTION</u> | <u>PAGE</u> |
|---|-------------|
| I) System Background | 1 |
| II) Responsibility Area's Role and Responsibilities | 2 |
| III) Program Installation and Logon Procedures | |
| A) Using Windows 3.1 | 3 |
| B) Using Windows NT | 4 |
| IV) Summary Instructions / System Flow | 5 |
| V) Explanation of Screen Keys | 7 |
| VI) Detailed Instructions | |
| A) Update Files | |
| 1) Labor Calculation | |
| a) Employee Counts | 9 |
| b) Overtime Labor Hours | 12 |
| c) Labor Function Distribution | 15 |
| 2) Other Charges | |
| a) Detail of Other Charges | 19 |
| b) Summary of Other Charges | 24 |
| c) Responsibility Variations | 29 |
| d) Responsibility Variations - Summary | 32 |
| 3) Inter-Company Billings | |
| a) Inter-Company Billing Percentages | 34 |
| b) Inter-Company Billing Hours | 37 |
| B) Run Modules | |
| 1) Labor Input Check Program | 39 |
| 2) Labor Calculation Module | 39 |
| C) Print Reports | |
| 1) List reports | 40 |
| a) Employee Counts by Employee Category and Status | 41 |
| b) Fiscal Year End Summary of Employee Counts | 41 |
| c) Overtime Hours by Function and Employee Category | 41 |
| d) Labor Dollar Function Distribution | 41 |
| e) Monthly Other Charges by Function | 42 |
| f) Total Charges Statement by Function | 42 |
| g) Responsibility Statement for Budget Estimates | 42 |
| h) Resp Statement for Budget Estimate - Preview | 42 |
| i) Detail & Summary of Other Charges 1 Year | 43 |
| j) Detail & Summary of Other Charges 6 Years | 43 |
| k) Non-Labor Function Detail Forecast Adjustments | 44 |
| l) Non-Labor Function Summary Forecast Adjustments | 44 |
| m) Variance Report | 44 |

**On-Line Variance Reporting
Index
(Continued)**

| <u>DESCRIPTION</u> | <u>PAGE</u> |
|--|--------------------|
| n) Variance Report - Functions Requiring Explanation | 45 |
| o) Divisional Reports | 45 |
| p) Operations Division Reports | 45 |
| D) Run Utilities | |
| 1) File Maintenance | 46 |
| 2) Print System Instructions | 46 |
| VII) Divisional Liaisons | 47 |

On-Line Variance Reporting System Background

The On-Line Variance Reporting System is the result of the 1996 Corporate Goal 5-2-FCC which was to develop and implement an on-line variance reporting system. This system replaced the variance reporting procedures of the past as well as the Budget Preparation system that was used to prepare responsibility area budgets in the past. The system incorporated all of the features of both the variance reporting procedures and the Budget Preparation system.

On-line variance reporting became a corporate goal for the Finance and Control division for a number of reasons. The main reason was the "timing" of the information from both the variance reporting and budget preparation processes.

Variance reports were sent to each user area through company mail after General Accounting closed the books each month. Each area then reviewed their variance reports and made the necessary forecast adjustments. These adjustments were then returned to Budget and Control for processing. More often than not, Budget and Control had completed the forecast for that particular month prior to receiving the adjustments. Therefore, there often was a month lag for any adjustments made.

The budget preparation process also had problems due to timing. In the past, each area received a data diskette on which to enter its responsibility budget. Budgets were prepared by each area based on the assumptions of management. The diskettes were then returned to Budget and Control for processing. Often, there were major changes in assumptions after budgets were returned to Budget and Control. Frequently, these changes would affect responsibility area budgets. Due to the timing of the October board meeting, there was no time to send diskettes out to have them updated. Budget and Control would make the necessary adjustments to complete the Profit Plan.

The On-Line Variance Reporting System should eliminate the timing problem. Each area has the ability to update its 5 year forecast on a monthly basis. Areas also have the ability to provide variation explanations through the system.

The system is expected to evolve over time. Features and reports will be added. Users are encouraged to suggest improvements to the system. The majority of the improvements made to the old systems were the result of user suggestions. Please E-Mail suggestions or comments to **ONLINE VARIANCE REPORTING**.

On-Line Variance Reporting Responsibility Area's Role and Responsibilities

Each area is responsible for supplying Budget and Control with its variance explanations and current forecast projections. In addition, areas that allocate departmental costs to affiliated companies based on hours worked must supply their hours on a monthly basis.

For departments that allocate costs to affiliated companies based on hours worked, the person(s) responsible for the area's budget will be notified via e-mail each month that General Accounting has begun to close the books for the month. The responsible individuals will have until the sixth workday to enter the required data through the On-Line Variance Reporting System. This information must be entered *before* General Accounting closes the books.

After the General Accounting Department has closed the books, the designated individual in each responsibility area will have a limited amount of time in which to review actual and budget data, provide variation explanations and make any necessary forecast adjustments. This can all be done through the On-Line Variance Reporting system. Note that user areas are not required to return any paper to Budget and Control. The reports within the system are for your information.

At the end of the established time period, Budget and Control will shut down the system to update and process the forecast. Consolidated variation reports and explanations will be sent to those on the distribution list. After the forecast is complete for the month, the system will be opened and users will be notified by E-mail that the system is available again.

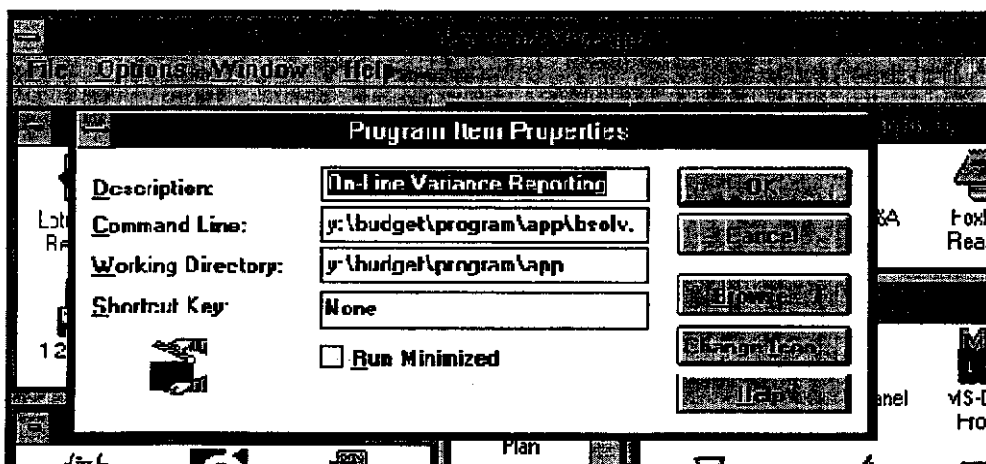
Please note that Budget and Control maintains the security of the system. If there is a need to change the users of the system, your divisional liaison should notify Budget and Control via E-mail. Security will only be changed when requested by a divisional liaison to insure the integrity of the security. The divisional liaisons are listed later in this package.

On-Line Variance Reporting Program Installation and Logon Procedures Using Windows 3.1

The following are the required steps to create a program item to run the On-Line Variance Reporting System on your PC. The system may be added to an existing Program Group or a new Program Group may be created to contain the On-Line Variance Reporting System. Note that the system assumes you have the following path set up on your C drive: C:\DOS\TEMP\. Use File Manager to check that this path exists. If it doesn't exist, create the directory using File Manager.

1. After selecting\creating a Program Group, select **File** off of Program Manager's menu bar.
2. Select **New**.
3. Activate **Program Item** radio button.
4. Type in information displayed below onto the appropriate lines of the **Program Item Properties** dialog box.
Note: The Command Line should read `y:\budget\program\app\bsolv.exe`
The "exe" is not displayed in the example below.
5. Select **Change Icon** push button. Select an Icon from available list by double clicking on desired Icon.
6. Select **OK**.

At this point the On-Line Variance Reporting System should have been added to the Program Group selected.

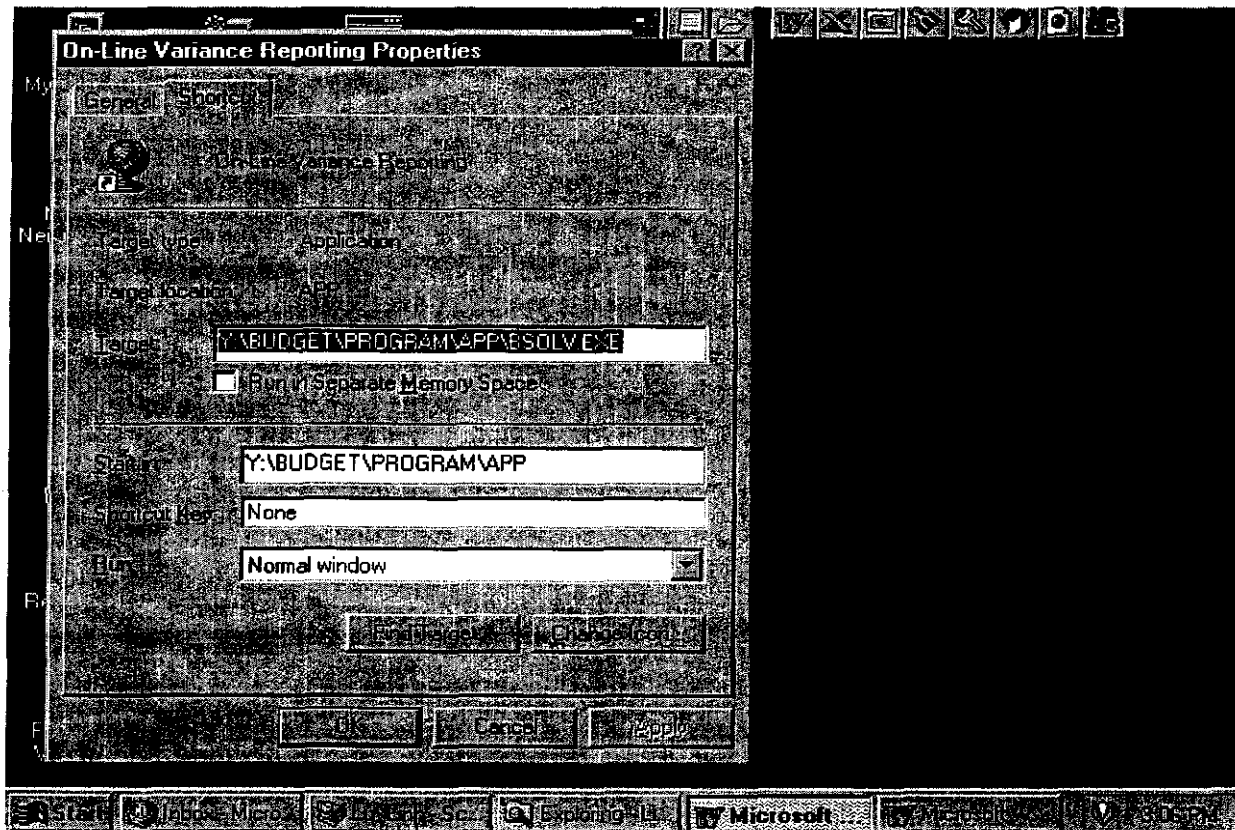


Starting the system is as easy as double clicking on the newly installed icon you created. The first item that appears is the Sign-On Screen. To Logon to the system, enter the company and area that you would like to view or update. If your LAN User ID is authorized for the area requested, the system will grant you access. Contact your divisional liaison if you do not have access.

On-Line Variance Reporting Program Installation and Logon Procedures Using Windows NT

The following are the required steps to set up an icon to run the On-Line Variance Reporting System on your PC using Windows NT. Note that the system assumes you have the following path set up on your C drive: C:\DOS\TEMP\ Use Explorer to check that this path exists. If it doesn't exist, create the directory using Explorer.

1. Right-Click the mouse in an empty space on the desktop.
2. Highlight New/Shortcut and Left-Click Mouse.
3. On Command Line type:
 Y:\budget\program\app\bsolv.exe
4. Click Next
5. Title your icon
6. Click Finish.



Starting the system is as easy as double clicking on the newly installed icon you created. The first item that appears is the Sign-On Screen. To Logon to the system, enter the company and area that you would like to view or update. If your LAN User ID is authorized for the area requested, the system will grant you access. Contact your divisional liaison if you do not have access.

On-Line Variance Reporting Summary Instructions / System Flow

Below is a guide that could be used by a responsibility area to complete their forecast. Its purpose is only to act as a guide. Users should use the system in a way that best suits their area. This guide walks through a typical month for a typical area. See the "Detailed Instructions" of this package for a more in-depth look at how to update each section of the system.

Significant Event: Responsibility areas are notified by E-Mail that the On-Line Variance Reporting System has been opened so that they can review their responsibility budgets and make forecast adjustments.

Significant Event: General Accounting begins the closing process on the first workday of the month. Areas that allocate departmental costs to associated companies by hours must record their actual hours worked and number of administrative employees by the **sixth workday** of the month.

* Inter- Company billing

- * Choose "UPDATE FILES" from the main menu. Choose the "INTER-COMPANY BILLING" Module and the "INTER-COMPANY BILLING" Data file.
- * Enter the actual hours worked on associated companies and the number of administrative employees for the month.

Significant Event: General Accounting closes the books on the eighth workday of the month.

Significant Event: Users review their responsibility budgets and make forecast adjustments.

* Other Charges

- * Choose "UPDATE FILES" from the main menu. Choose the "OTHER CHARGES" Module and the "RESPONSIBILITY VARIATION" Data file.
- * Review each function. Enter any Variance explanations. Delete any non-valid variance explanations.
- * Enter any forecast adjustments through the "DETAIL OF OTHER CHARGES" or the "SUMMARY OF OTHER CHARGES" screens.

**On-Line Variance Reporting
Summary Instructions / System Flow
(Continued)**

*** Labor**

- * Choose "UPDATE FILES" from the main menu. Choose the "LABOR FILES" Module and the "EMPLOYEE COUNTS" Data file.
 - * Review your actual and forecasted employee counts. Make any necessary forecast adjustments.
 - * Choose the "LABOR FILES" Module and the "OVERTIME LABOR HOURS" Data file.
 - * Review your forecasted overtime hours. Make any necessary forecast adjustments.
 - * If your area has Union Wage Earners, or if your area wants to forecast time to different functions then what is currently on the payroll, choose the "LABOR FILES" Module and the "LABOR FUNCTION DISTRIBUTION" Data file.
 - * Review forecasted labor distribution. Make any necessary forecast adjustments.
- * If necessary, obtain approval for any explanations or adjustments. Either print the reports your management wants to see or have your management review the changes on the screen.

Significant Event: Budget and Control shuts down the system to process the forecast.

Significant Event: Budget and Control completes the processing of the forecast. Users are notified by E-Mail that the system is available.

Significant Event: Users have access to the system and can make adjustments. The cycle will repeat itself.

On-Line Variance Reporting Explanation of Screen Keys

Below is a list and explanation of the various update options available within the On-Line Variance Reporting System.

Help - F1 - The F1 key will bring you to the help screens.

The Mouse - The mouse is the easiest and quickest way to navigate through the system. It can be used to select options and also to go to a specific area of a screen that has multiple update fields. If you choose not to use the mouse, you may use the "TAB" and arrow keys to move through options on the screen. Once an option is highlighted, you can click 'ENTER' to select it.

Pick Lists - Use your mouse or the arrow keys to move through or open pop-up lists.

Menu Bar - Below is an explanation of the various menu bar options. The menu bar keys will appear capitalized with quotes around them in the detailed screen instructions. (e.g.. "ADD")

Add - The "ADD" option gives the user the ability to add a record(s) to a screen.

Edit - The "EDIT" option gives the user the ability to change an existing screen or record(s).

Delete - The "DELETE" option gives the user the ability to remove the information on a particular screen.

Next - The "NEXT" option should be used to bring you to the following record(s) within a particular screen.

Previous - The "PREVIOUS" option should be used to bring you to the preceding record(s) within a particular screen.

Locate - The "LOCATE" option gives the user the ability to go to a specific record(s) for a screen.

Options - The "OPTIONS" option is not currently being used on most screens.

Resp.Summ. - This button replaces the "OPTIONS" button on the 'Responsibility Variations' screen. This button will display the 'Responsibility Variations Summary' screen which will provide supplemental variation data.

Resp.Detail - This button replaces the "OPTIONS" button on the 'Responsibility Variations - Summary' screen. This button will display the 'Responsibility Variations' detail screen.

**On-Line Variance Reporting
Explanation of Screen Keys
(Continued)**

Menu Bar (continued)

- Save** - The "SAVE" option is available when the user is in "EDIT" mode and should be used to store your updates.
- Cancel** - The "CANCEL" option is available when the user is in "EDIT" mode and could be used to exit "EDIT" mode or to stop the changes you made from being stored.
- Exit** - The "EXIT" option should be used to return to the previous screen and to leave the system.

"SUMMARY" Button - This button is available in the "RESPONSIBILITY VARIATION" and the "DETAIL OF OTHER CHARGES" screens. This will take you to the "SUMMARY OF OTHER CHARGES" screen for the function you are working with.

"DETAIL" Button - This button is available in the "RESPONSIBILITY VARIATION" screen. This will take you to the "DETAIL OF OTHER CHARGES" screen for the function you are working with.

"REVIEW" Button - This button is available in the "SUMMARY OF OTHER CHARGES" and the "DETAIL OF OTHER CHARGES" screens. This will take you to the "RESPONSIBILITY VARIATION" screen for the function you are working with.

"Year" Button - There are 6 year buttons on the "SUMMARY OF OTHER CHARGES" screen. This will take you to the "DETAIL OF OTHER CHARGES" screen for the year you choose and the function you are working with.

"Copy to Current" Button - This button is available in both of the "RESPONSIBILITY VARIATION" screens. This button will allow the user to copy a previous month's variance explanation record to the current month's variance explanation record.

**On-Line Variance Reporting
Detailed Instructions**

A. UPDATE FILES

1) LABOR CALCULATION

a) EMPLOYEE COUNTS

Purpose

Provide forecasted Employee Counts for your area by Employee Category and Employee Status. This information is used to forecast Labor Dollars and Labor Hours for your area.

Explanation

Provided for you on this screen are actual and forecasted employee counts broken down by Employee Category and Employee Status. The information provided is based on what is currently in the forecast for your area. Please provide any adjustments to these amounts for future years.

To make an adjustment to an existing Employee Category/Employee Status combination, click "EDIT" from the menu bar. This brings your pointer to the first forecasted month. Type any adjustments next to the corresponding year(s)/month(s) you wish to adjust. After you have entered your adjustments, click "SAVE". The "CANCEL" menu option is also available. Note that the system will recalculate your counts based on the adjustments entered.

To add a new Employee Category and Status combination, click "ADD" from the menu bar. Select the Employee Status and Category from the pick lists. Click "CONTINUE" key and enter the adjustments as you would with the "EDIT" menu option.

The "NEXT", "PREVIOUS" and "LOCATE" menu options can be used to go from one Employee Category/Employee Status combination to another.

On-Line Variance Reporting Detailed Instructions (Continued)

A. UPDATE FILES (Continued)

1) LABOR CALCULATION (Continued)

a) EMPLOYEE COUNTS (Continued)

Example

In this example of Active Full-Time PSE-1 employee, the current forecast shows the employee complement at one employee until November, 1998 and two thereafter. Let's say this area is planning on hiring two Active Full-Time PSE-1 employees in October, 2000 and this addition to the workforce will be constant for all remaining periods. Two employees should be added in October, 2000 and one employee should be subtracted in October, 2003 as reflected on the first screen. The system will recalculate the remaining months.

pg846 On-Line Variance Reporting Forecast = 9 & 3

Maintain Employee Counts

PGL ☐ Area 846 Empl Category PSE - 1 Empl Status Active Full Time

| | Adjust | 1998 | Adjust | 1999 | Adjust | 2000 | Adjust | 2001 | Adjust | 2002 | Adjust | 2003 |
|-----|--------|------|--------|------|--------|------|--------|------|--------|------|--------|------|
| Oct | 0.00 | 1.00 | 0.00 | 2.00 | 2.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 | -1.00 | 2.00 |
| Nov | 0.00 | 1.00 | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 |
| Dec | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 |
| Jan | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 |
| Feb | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 |
| Mar | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 |
| Apr | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 |
| May | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 |
| Jun | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 |
| Jul | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 |
| Aug | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 |
| Sep | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 |

Save Cancel Delete Merge Previous Locate Refresh Print